

Docket	:	<u>A.15-05-008</u>
Exhibit Number	:	<u>ORA-05</u>
Commissioner	:	<u>L. Randolph</u>
ALJ	:	<u>K. McDonald</u>
Witness	:	<u>M. Campbell</u>



OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

**Report on the Results of Operations
for
Liberty Utilities
(formerly CalPeco Electric)
Test Year 2016
General Rate Case**

Other Taxes
Energy Efficiency Programs
and
Solar Incentive Program

San Francisco, California
November 9, 2015

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1 **OTHER TAXES**

2 **ENERGY EFFICIENCY PROGRAMS**

3 **AND**

4 **SOLAR INCENTIVE PROGRAM**

5 **I. INTRODUCTION**

6 This exhibit presents the analyses and recommendations of the Office of
7 Ratepayer Advocates (ORA) regarding the Other Taxes, Energy Efficiency
8 Programs, and Solar Incentive Program proposals of Liberty Utilities (Liberty or LU)
9 for Test Year (TY) 2016.

10 Liberty's regulated taxes other than income tax expense comprises the
11 following: Payroll Taxes, Property or Ad Valorem Taxes, and Franchise fees.

12 Liberty's Energy Efficiency Programs ("EE") costs are associated with the
13 following programs: Residential Audit Program, Small Commercial Audit Program,
14 Energy Star Lighting Program, Refrigerator Recycling Program, Commercial
15 Incentive Program, Public Schools Incentive Program and Appliance Rebate
16 Program.

17 Liberty's Solar Incentive Program ("SIP") costs are to budget and implement a
18 new solar system program.

19 **II. SUMMARY OF RECOMMENDATIONS**

20 The following summarizes ORA's recommendations:

- 21 • ORA concludes that the payroll tax rates forecasted by Liberty
22 Utilities are reasonable and should be applied in estimating payroll
23 tax expense for TY 2016. Any difference between ORA and Liberty
24 Utilities are due to differences in the TY 2016 estimate for labor
25 expense.
- 26 • ORA concludes that Liberty's Ad Valorem or property tax rates and
27 underlying forecasted valuations are reasonable and should be
28 applied in estimating property taxes. Any differences between

Liberty and ORA are due to differences in the TY estimated plant additions.

- ORA agrees with Liberty's methodology in estimating Franchise Tax fees for TY 2016.
- ORA recommends approval of \$445,417 which is \$49,583 less than Liberty's request of \$495,000 for its California Energy Efficiency Programs for TY 2016.
- ORA recommends \$26,887 which is \$13,113 less than Liberty's request of \$40,000 for the Energy Efficiency Small Commercial Audit Program.
- ORA recommends \$28,530 which is \$21,470 less than Liberty's request of \$50,000 for the Energy Efficiency Energy Star Lighting Program.
- ORA recommends \$25,000 which is \$15,000 less than Liberty's request of \$40,000 for the Energy Efficiency Refrigerator Recycling Program.
- ORA does not oppose Liberty's forecast for the following EE Programs: Residential Audit Program, Commercial Incentive Program, Public Schools Incentive Programs and Appliance Rebate Program.
- ORA recommends that Liberty's end-of-year 2015 balance of \$35,000 in Energy Efficiency funds from the utility's last rate case cycle be tracked and reported in Liberty's next general rate case. If Liberty does not use these funds by the end of the 2016-2018 budget cycles, ORA recommends that they be refunded to California ratepayers.
- ORA recommends that any California Energy Efficiency funds accumulated during the 2016-2018 budget cycle be tracked, reported and unspent funds be refunded to ratepayers.
- ORA does not oppose Liberty's request to shift funds between EE Programs during the adopted three-year cycle in this general rate case.
- ORA does not oppose Liberty's proposal to eliminate conducting an annual Evaluation Measurement & Verification Study or EM&V Study. In the event the Commission does not eliminate the EM&V

1 Study, ORA recommends an administration budget approval of
2 \$27,333 which is \$7,667 less than Liberty's request of \$35,000.

- 3 • ORA does not oppose Liberty's proposed Solar Incentive Program
4 but recommends a lower funding level. ORA recommends
5 \$152,500 which is \$123,750 less than Liberty's request of \$276,250
6 for SIP administration budget costs. Overall, ORA recommends a
7 total of \$1,112,500 which is \$1,068,750 less than Liberty's request
8 of \$2,181,250 for the Solar Incentive Program.

11 **III. TAXES OTHER THAN INCOME**

12 **A. Payroll Taxes**

13 Liberty estimated payroll taxes for TY 2016 "based on the escalated labor
14 expense multiplied by the specific payroll tax percentages."¹ Payroll taxes are paid
15 by the employer and the employee. Liberty estimates the employer's portion of
16 payroll tax expense at \$889,000. ORA agrees with Liberty's proposed payroll tax
17 rates.

18 The payroll taxes and their respective rates and wage bases ORA reviewed
19 are: Federal Insurance Contribution (FICA), Federal Unemployment Tax Act (FUTA)
20 and California State Unemployment Insurance (SUI).

21 ORA reviewed payroll taxes and their respective rates and wage bases used
22 in the results of operations are: Federal Insurance Contribution Act (FICA) 6.20%
23 with \$117,000 wage base limit and Medicare 1.45% on all wages. ORA agrees with
24 these rates and wage bases. Any difference between ORA and Liberty is due to
25 differences in the TY 2016 estimates for labor expense.

26 **B. Property Taxes or Ad Valorem**

27 Liberty estimated property taxes for TY 2016 based on "assessed values
28 multiplied by projected rates. The assessed values were derived by adjusting the

¹ Ex. Liberty-01, p.165, lines 8-11

1 2014-2015 assessed values noted on the property tax bills for the 2015 and 2016
2 additions to plant in service. The projected rates were derived by applying a growth
3 factor to the 2014-2015 property tax rates. The growth factor is the simple average
4 of the 2011-2012 and 2014-2015 weighted average property tax rates.”²

5 ORA reviewed Liberty’s methodology and concluded that Liberty’s
6 assessments and projected rates are reasonable. Any differences between Liberty
7 and ORA are due to differences in the TY 2016 estimated plant additions.

8 **C. Franchise Tax Fees**

9 Liberty estimated franchise tax fees for TY 2016 based on “2014 accrued
10 amounts and existing franchise agreements.”³ ORA reviewed Liberty’s methodology
11 and franchise tax fee rates used in Liberty’s calculations. ORA agrees with Liberty’s
12 requested franchise fee rate of 1.141% for TY 2016.

13 **IV. ENERGY EFFICIENCY PROGRAMS**

14 **A. Introduction**

15 This section presents ORA’s analyses and recommendations regarding
16 Liberty’s Energy Efficiency (EE) Programs for Test Year 2016. Liberty is proposing
17 a budget request of \$0.495 million, a 35.62% or \$0.130 million increase to its
18 California energy efficiency programs budget, from the \$0.365 million annual budget
19 approved by the Commission in Decision (D).12-11-030.

20 **B. ORA’s Analysis**

21 Table 5-1 provides Liberty’s recorded expenses from 2013-2014 and forecast
22 for 2015 and 2016, for its California EE Program.

² Ex. Liberty-01, p.165, lines 16-20 to p..166, lines 1-2

³ Ex. Liberty-01, p.165, lines 12-15

Table 5-1
Liberty Energy Efficiency Programs
Actual 2013-2014⁴ and Forecasted 2015⁵-2016⁶

	Customer Programs and Administration Expenditures	2013	2014	2015 Forecast	2016 Forecast
1	Residential Audit Program	\$102,602	\$137,068	\$110,234	\$115,000
2	Small Commercial Audit Program	\$7,042	\$12,119	\$65,000	\$40,000
3	Energy Star Lighting Program	\$3,686	\$3,006	\$10,000	\$50,000
4	Refrigerator Recycling Program	\$16,197	\$15,913	\$25,000	\$40,000
5	Commercial Incentive Program	\$130,342	\$131,904	\$103,000	\$140,000
6	Public Schools Incentive Program	\$41,699	\$40,585	\$57,000	\$60,000
7	Appliance Rebate Program	0	0	0	\$50,000
8	Evaluation Measurement & Verificat	\$25,000	\$27,000	\$30,000	U
9	Total	\$326,568	\$367,595	\$400,234	\$495,000

ORA conducted an independent analysis of Liberty's EE budget request. ORA analyzed Liberty's application, Liberty's data request responses, information provided in meetings, e-mail, regular mail correspondence, and historical EE program budgets expense levels to develop the recommendations as discussed below.

Table 5-2 compares ORA's proposed EE Program budget and Liberty's proposed Energy Efficiency Program budget estimates for TY 2016, for its California ratepayers. ORA recommends a test year EE budget of \$445,417 compared to Liberty's request for \$495,000.

⁴ Ex. Liberty-02, p.158, Table A

⁵ Ex. Liberty-02, p.158, Table A

⁶ Ex. Liberty-02, p.159, Table B

Table 5-2
Liberty and ORA TY 2016 Forecast
Energy Efficiency Program Budgets

Energy Efficiency Programs and Administration Costs (a)	Liberty EE Program Request (b)	ORA Proposed EE Program Budget ©	Amount LI>ORA (d=b-c)	Percentage LI>ORA (e=d/c)
Residential Audit Program	\$115,000	\$115,000	\$0	0%
Small Commercial Audit Program	\$40,000	\$26,887	\$13,113	49%
Energy Star Lighting Program	\$50,000	\$28,530	\$21,470	75%
Refrigerator Recycling Program	\$40,000	\$25,000	\$15,000	60%
Commercial Incentive Program	\$140,000	\$140,000	\$0	0%
Public Schools Incentive Program	\$60,000	\$60,000	\$0	0%
Appliance Rebate Program	\$50,000	\$50,000	\$0	0%
Evaluation Measurement & Verification ⁷	\$0	\$0	\$0	0%
Total	\$495,000	\$445,417	\$49,583	11.13%

1. Energy Efficiency Program Implementation

Liberty forecasted \$495,000 for TY 2016, Liberty developed and presented its TY 2016 EE Program budget forecast per each individual EE program proposed included in Table 5-2. Liberty's TY 2016 forecast of \$495,000 is an increase of \$0.130 million over the Commission's adopted EE program budgets on the previous three-year cycle general rate case. ORA recommend \$445,417 million for Liberty's EE Program budgets for TY 2016. ORA does not take issue with Liberty's TY 2016 forecast with the following EE Programs in Table 5-3.

⁷ Ex. Liberty-02, p.159, Table B. Liberty excluded a forecast for the EM&V Study. Therefore, ORA presents a \$0 forecast for the EM&V Study. Refer to ORA section on the EM&V Study, p.7

Table 5-3
Liberty TY 2016 Forecast
Energy Efficiency Program Budgets

Energy Efficiency Programs and Administration Costs	TY 2016 Liberty EE Programs
Residential Audit Program	\$115,000
Commercial Incentive Program	\$140,000
Public Schools Incentive Program	\$60,000
Appliance Rebate Program	\$50,000

a. Energy Efficiency Program Authorization to Continue Shifting of funds

Liberty requests Commission authorization to continue to shift funds between EE program budgets from program year to program year as appropriate within the next three-year EE program cycle. As stated in its application:

“Liberty Utilities has shifted money between and among the individual Energy Efficiency program budgets and from year to year.”⁸

ORA does not oppose Liberty’s request that the Commission authorize Liberty to continue shifting funds between EE programs.

b. Energy Efficiency Program Evaluation Measurement & Verification Study (“EM&V”)

Liberty requests approval to eliminate the annual Energy Efficiency Program Evaluation or Measurement & Verification Study (“EM&V”) in this general rate case. Liberty believes the substantial cost of the EM&V study is excessive and not justified. Liberty states it can be spent on other proven programs and other measures. The EM&V Study verifies program savings, recommends program improvements or new programs, and produces a report to be supplied to the Commission.

“Liberty Utilities contracts with a local EM&V contractor, Verified, Inc.” ... to conduct the EM&V Study. “Verified, Inc. develops an evaluation plan and sampling

⁸ Ex. Liberty-02, p.157, lines 13-15

1 protocol for each program based on the participation, expenditures, and savings
2 estimated to ensure statistically valid measurement and verification.”⁹ The cost of
3 conducting such studies totaled \$29,999 in 2012, \$25,000 in 2013, and \$27,000 in
4 2014; in this GRC, Liberty requests \$35,000 per year in the case the Commission
5 does not approve Liberty’s request to eliminate the EM&V Study.

6 Liberty stated in its application that:

7 “Liberty Utilities appears to utilize the EM&V study because it was a
8 requirement that the Public Utilities Commission of Nevada had placed
9 on its predecessor, NV Energy, and Liberty Utilities had simply
10 continued the practice after its acquisition.”¹⁰
11

12 In response to ORA’s data request, Liberty points out that:

13 “The Public Utilities Commission of Nevada (“PUCN”) does not require
14 Liberty Utilities to conduct an EM&V Study. California Public Utilities
15 Commission Decision 06-08-024 approved a settlement between
16 Sierra Pacific Power Company, (“Sierra”) Liberty Utilities predecessor,
17 and ORA, that approved Sierra Application 05-06-018. As part of
18 adopting the settlement, the Commission adopted the requirements for
19 Sierra to conduct an EM&V Study and Liberty Utilities assumed that
20 obligation when it became the California Utility.”¹¹
21

22 Liberty has complied with D.06-08-024 by continuing to provide the
23 Commission with the energy efficiency study or EM&V Study. ORA does not oppose
24 Liberty’s proposal in regards to the EM&V study. In the event the Commission does
25 not eliminate the EM&V study, ORA recommends an annual budget of \$27,333
26 instead of Liberty’s proposal of \$35,000 for TY 2016. ORA bases its test years’
27 forecast on a three-year average from 2012-2014. Liberty only provided those three
28 recorded years since prior year 2011 was paid by Sierra Pacific Power Company
29 and not Liberty Utilities.¹²

⁹ Ex. Liberty-02, p.178, lines 6 and 10-12

¹⁰ Ex. Liberty-02, p.179, lines 15-18

¹¹ ORA-025-MCL, response to Q.1b

¹² Response to ORA-025-MCL-Attachment 2 to Q.2

1 **c. Energy Efficiency Program Carryover Funds**

2 Liberty has not been able to spend its authorized energy efficiency funds over
3 the last three years 2013-2015. The utility indicated that \$327,000 was spent in
4 2013 and \$368,000 in 2014 on Energy Efficiency program administration.¹³ Liberty
5 states that it has \$35,435 in carryover (unspent) funds from its EE budget year 2015.
6 Liberty projects that all of its authorized funds for 2015 will be exhausted before the
7 end of 2015 using its carry-over fund in a direct-installation program which has been
8 planned since 2014. Liberty asserts that small commercial customers have
9 constraints on financial and other resources limitations which hinder their ability to
10 optimally plan and implement energy efficiency initiatives. Therefore, Liberty
11 proposes to carry over the 2015 remaining program budget of \$35,545 in order to
12 continue to target auditing and direct installation efforts towards its customers.

13 ORA recommends that Liberty's end-of-year 2015 balance in Energy
14 Efficiency carryover funds be tracked and reported in Liberty's next general rate
15 case. If Liberty is unable to use these specific carryover funds in its direct
16 installation measures as stated by the end of the 2016-2018 budget cycle, ORA
17 recommends that they be refunded to California ratepayers. ORA recommends that
18 any EE carry over funds, in addition to any previous EE accumulated fund during the
19 2016-2018 budget cycle be tracked, reported and unspent funds be refunded to
20 ratepayers.

21 **2. Specific Energy Efficiency Programs**

22 ORA discusses its forecasts differences with Liberty as they pertain to
23 specific EE programs. ORA reviewed Liberty's testimony, work-papers, data request
24 responses for these EE Programs. ORA takes issue with Liberty's TY forecasts for
25 the EE Programs identified in Table 5-4.
26

¹³ Ex. Liberty-02, p.157, A.3, lines 15-16

Table 5-4
Liberty TY 2016 Forecast¹⁴
and
ORA TY 2016 Forecast

	Energy Efficiency Programs and Administration Costs	TY 2016 Liberty FORECAST	TY 2016 ORA FORECAST
1	Small Commercial Audit Program	\$40,000	\$26,887
2	Energy Star Lighting Program	\$50,000	\$28,530
3	Refrigerator Recycling Program	\$40,000	\$25,000

a. Small Commercial Audit Program

Table 5-5 below shows Liberty's actual 2011-2014 data for Small Commercial Audit Program and its forecast for 2015 and 2016.

Table 5-5
2011-2014 Actual/ TY 2016 Forecast
Small Commercial Audit Program

	Energy Efficiency Programs and Administration Costs	2011 Actual	2012 actual	2013 Actual	2014 Actual	2015 Forecast	TY 2016 Forecast
1	Small Commercial Audit Program	\$23,795	\$64,591	\$7,042	\$12,119	\$65,000	\$40,000

Source: 2011-2014 data from ORA-025-MCL-Q.2 08/11/2015 2015-2016 Forecast data from Ex.Liberty-03 Table A and Table B

"The purpose of the Small Commercial Audit Program is to attract small commercial customers to take advantage of and benefit from the free small commercial energy audits that Liberty Utilities offers."¹⁵ The audits performed under this program will be conducted by a third party contractor, Sierra Energy and Water Conservation. The audits provided to small commercial customers include using a checklist to communicate and educate small commercial customers regarding measures that they can readily implement to lower energy usage. "Sierra Energy and Water Conservation also distributes to or installs for this customer class measures similar to those used in residential audits such as CFL or LED lighting

¹⁴ Ex. Liberty-02, p.159, Table B

¹⁵ Ex. Liberty-02, p.162, A.7, Lines 14-16

improvements, timers for the management of electric use, water heater blankets, and thermostats.”¹⁶

Liberty forecasted \$40,000, which is an increase of \$27,881 over its 2014 actual expense of \$12,119 and \$32,958 over its 2013 actual expense of \$7,042.

ORA observes that historical expenses for Liberty’s Small Commercial Audit Program fluctuated significantly in the past 4 years, and do not support Liberty’s forecast of \$40,000 for TY 2016. ORA also notes that “Liberty expects to spend \$50,000 during 2015 on the direct installation program for convenience stores/gas stations, utilizing the budget carryover of \$35,435...”¹⁷

ORA relied on a four-year average from 2011-2014 as the basis for its forecast of \$26,887. ORA considers it reasonable to use a multi-year average as the basis for its forecast. ORA recommends \$26,887 for TY 2016 for the EE Program, Small Commercial Audit Program.

b. Energy Star Lighting Program

Table 5-6 below shows Liberty’s actual 2011-2014 data for Energy Star Lighting Program, and its forecast for 2015 and 2016.

Table 5-6
2011-2014 Actual/ TY 2016 Forecast
Energy Star Lighting Program

	Energy Efficiency Programs and Administration Costs	2011 Actual	2012 actual	2013 Actual	2014 Actual	2015 Forecast	TY 2016 Forecast
2	Energy Star Lighting Program	\$87,048	\$20,380	\$3,686	\$3,006	\$10,000	\$50,000

Source: 2011-2014 data from ORA-025-MCL-Q.2 08/11/2015. 2015-2016 Forecast data from Liberty Ex. Liberty-03 Table A and Table B

As part of the Energy Star Lighting Program, Liberty has distributed directly to customers in its service territory Compact Fluorescent Light bulbs (CFLs) as well as Light-emitted diodes (LED) night lights through several outreach offerings. Liberty designed the Energy Star Lighting Program to educate the customers on the energy and cost saving benefits of CFLs and other efficient lighting options, such as LED

¹⁶ Ex. Liberty-02, p.163, lines 5-7

¹⁷ Ex. Liberty-02, p.164, lines 14-16

1 lamps, as compared to their continued use of incandescent lighting. As part of the
2 proposed TY 2016 Energy Star Lighting Program, Liberty customers will receive one
3 free LED lamp for every two LED lamps purchased, up to a maximum of 20 free LED
4 lamps per customer. ¹⁸

5 “Liberty Utilities intends to offer three to four different types of LED lamps that
6 customers may select through this proposed program. Liberty will continue this free
7 LED lamp offering only until such time as LED pricing enables Liberty Utilities to
8 cost-effectively distribute LED lamps.”¹⁹

9 In regards to LED pricing, Liberty stated:

10 “Liberty Utilities estimates that LED pricing will be cost-effective when
11 the cost of a lamp is \$5 or less - .i.e., the cost level at which the typical
12 residential energy savings from a LED lamp will pay for the lamp within
13 a one year period.”²⁰
14

15 Liberty requests an annual budget of \$50,000 to provide customers with an
16 estimated 4,000 LED lamps. This program administration will be conducted by one
17 of Liberty’s existing contractors.

18 ORA reviewed Liberty’s prior year expenses, the total number of energy star
19 lamps distributed by Liberty and recommends \$28,530 for the existing Energy Star
20 Lighting Program. Liberty’s application states in 2013, a total of 844 CFLs were
21 distributed, in 2014, a total of 978 between CFLs and LEDs were distributed, and in
22 2015, a total of 800 lamps between CFLs and LEDs were forecasted to be
23 distributed. As noted here, Liberty expects a decrease in light bulbs and night light
24 distribution. ORA bases its Test Year forecast on a four-year average of costs from
25 2011 and 2014. ORA concludes that a four-year average is a reasonable approach
26 to estimating Test Year expense for this account because it will allow Liberty to
27 distribute approximately 2,280 LED lamps which is a significant increase over the
28 2013, 2014 and 2015 levels. ORA recommends \$28,530 for this EE Program.

¹⁸ Ex. Liberty-02, p.170, A.21 and A.22

¹⁹ Ex. Liberty-02, p.170, line 19 to P. 171, lines 1-2

²⁰ Ex. Liberty-02, p.171, footnote 5

1 **c. Refrigerator Recycling Program**

2 Table 5-7 below shows Liberty's actual 2011-2014 data for the Refrigerator
3 Recycling Program and its forecast for 2015 and 2016.

4 **Table 5-7**
5 **2011-2014 Actual/ TY 2016 Forecast**
6 **Refrigerator Recycling Program**

7

	Energy Efficiency Programs and Administration Costs	2011 Actual	2012 actual	2013 Actual	2014 Actual	2015 Forecast	TY 2016 Forecast
3	Refrigerator Recycling Program	\$12,546	\$18,906	\$18,197	\$15,913	\$25,000	\$40,000

8 Source: 2011-2014 data from ORA-025-MCL-Q.2 08/11/2015 2015-2016 Forecast data from Ex. Liberty-03 Table A
9 and Table B
10

11 Liberty forecasted \$40,000²¹ annually for the Refrigerator Recycling Program
12 which is an increase of \$24,087 over 2014 base year actual expenses. "Liberty's
13 Refrigerator Recycling Program enables customers to reduce energy consumption
14 by removing a second refrigerator/freezer from their home."²² Liberty offers the
15 customer a rebate of \$35 and also pays to have the second refrigerator removed,
16 dismantled, and recycled.²³ As part of a change in this EE program, Liberty has
17 considered utilizing a local collector who can make unit collections more frequently
18 to meet customer interest.

19 Liberty stated that 90 "second refrigerator" units were removed in 2013, 88
20 units in 2014, and 130 units are forecasted to be removed in 2015 and forecasts that
21 200 units will be removed in 2016.

22 ORA reviewed Liberty's historical expenses, observes that 2012 through 2014
23 actual expenses remained flat, and concludes that Liberty's forecast of \$40,000 is
24 excessive. ORA does not oppose Liberty providing its customers with a reasonable
25 budget for this program.

26 ORA recommends \$25,000 in TY 2016 for the Refrigerator Recycling
27 Program based on Liberty's most recent 2015 forecast expense level to estimate

²¹ Ex. Liberty-02, p.173, Line 18

²² Ex. Liberty-02, p.171, lines 13-14

²³ Ex. Liberty-02, p.171, lines 16-17

test year 2016 expenses. This funding level is well above the amounts Liberty has been spending in prior years, and provides Liberty with money to expand its program.

V. SPECIAL REQUEST: SOLAR INCENTIVE PROGRAM (SIP)

Table 5-8 below shows Liberty's proposed SIP Budget for 2016 through 2021.

Table 5-8
Liberty Proposed Total SIP Budget²⁴

SIP Program Year	Incentive Budget	Administration Budget	Total Budget
2016	\$240,000	\$77,500	\$317,500
2017	\$360,000	\$37,500	\$397,500
2018	\$360,000	\$37,500	\$397,500
2019	\$315,000	\$41,250	\$356,250
2020	315,000	\$41,250	\$356,250
2021	315,000	\$41,250	\$356,250
Totals	1,905,000	\$276,250	\$2,181,250

²⁴ Ex. Liberty-02, p.190, Table A

1 Table 5-9 below shows ORA's proposed SIP Budget for TY 2016.

2

3

4

Table 5-9
ORA Proposed Total SIP Budget

SIP Program Year	Incentive Budget	ORA Recommended Admin Budget	Total Budget
2016	\$240,000	\$77,500	\$317,500
2017	\$360,000	\$37,500	\$397,500
2018	\$360,000	\$37,500	\$397,500
2019	\$0	\$0	\$0
2020	0	\$0	\$0
2021	0	\$0	\$0
Totals	960,000	\$152,500	\$1,112,500

5

6

7 Liberty does not currently have a solar incentive program, and requests
8 Commission authorization to implement and offer the Solar Incentive Program
9 ("SIP"). Liberty proposes a six-year program that will span two 3-year general rate
10 case cycles and requests a total budget of \$2,181,250 over six years. "These funds
11 include \$1,905,000 to be provided as incentive payments to customers and
12 \$276,250 to administer the SIP."²⁵ Liberty's SIP budget request includes an annual
13 administration budget of \$37,500 for the first three years with an additional one-time
14 \$40,000 for program development costs in the first year. In case Liberty's SIP is
15 adopted by the Commission, Liberty "requests a higher administration budget of
16 \$41,250 in the final three years to account for expected average increases over the
17 subsequent five year period for contractor program administration and inspection
18 costs."²⁶ Liberty would provide a program update half way through the program if
19 necessary. Liberty proposes funding to the program be collected from the Public
20 Purpose Program (PPP) Charges and will establish a one-way balancing account to
21 track collections and expenditures under the SIP. In the event a positive balance

²⁵ Ex. Liberty-02, p.182, lines 12-13

²⁶ Ex. Liberty-02, p.190, lines 12-14

1 remains at the end of the six years of the SIP, the Commission may order disposition
2 of any remaining balance, including that it be returned to customers.²⁷

3 “Residential and small commercial customers participating in Liberty’s SIP will
4 receive a one-time payment in the form of an “Expected Performance-Based
5 Incentive” (“EPBI”) payment after installation and verification of their solar system.”²⁸

6 “An applicant for Liberty’s SIP must be the customer of record at the installation
7 location and must pre-apply before installation and receive confirmation that the
8 incentive payment has been reserved for the project. In order to receive the
9 incentive, an applicant must also allow Liberty Utilities to conduct a free energy
10 efficiency audit, provide required system information and calculations, complete all
11 interconnection requirements and related inspections, and complete final system
12 verification.”²⁹ “Liberty ... projects processing 40-50 applications in the first year
13 and 60-75 applications in each of the subsequent five years and estimates a
14 processing cost per application of approximately \$500 (including inspections,
15 submittal reviews and rebate processing.)”³⁰

16 ORA does not take issue with Liberty’s proposal to implement the Solar
17 Incentive Program (SIP). ORA agrees with Liberty that a one-way balancing
18 account should be created to track the authorized revenue requirements and
19 expenditures of the SIP. ORA does not oppose Liberty’s proposal to pay all
20 incentives to customers as a one-time payment based on the expected performance
21 of the solar system which is known as an Expected Performance-Based Incentive
22 (“EPBI”). ORA recommends a three-year program to implement Liberty’s SIP and
23 have this program reviewed at Liberty’s next general rate case cycle.

24 ORA recommends that the Commission deny Liberty’s request of \$123,750
25 for the program administration cost as part of its Solar Initiative Program for years

²⁷ Ex. Liberty-02, p. 191, A.4

²⁸ Ex. Liberty-02, p.185, lines 14-16

²⁹ Ex. Liberty-02, p.189, lines 5-10

³⁰ Ex. Liberty-02, p. 190, line 15 to p.191, lines 1-3

2019-2021. Instead, Liberty should request future administration costs for years 2019-2021, after the Commission reviews SIP budgets and program costs in the next general rate case.

Liberty's administration budget for the Solar Incentive Program ("SIP")

Table 5-10 below shows Liberty and ORA's Comparison on proposed and recommended SIP Budget.

Table 5-10
Liberty and ORA SIP Comparison
SIP Administration Budget

SIP Program Year	Liberty Proposed Administration Budget	ORA Recommended Admin Budget	Amount LI>ORA
2016	\$77,500	\$77,500	\$0
2017	\$37,500	\$37,500	\$0
2018	\$37,500	\$37,500	\$0
2019	\$41,250	\$0	\$41,250
2020	\$41,250	\$0	\$41,250
2021	\$41,250	\$0	\$41,250
Totals	\$276,250	152,500	\$123,750

Liberty is requesting an administration budget of \$276,250 for the proposed six years of the SIP. In addition to the forecast of \$37,500 for TY 2016, Liberty is requesting an additional \$40,000 for program development costs in the test year of a total of \$77,500. Liberty requests a slightly higher administration budget of \$41,250 in the final three years to account for expected average increases over the subsequent five year period for contractor program administration and inspection costs. Liberty estimates that it will incur processing costs for each application of approximately \$500.

For now, ORA recommends an administration budget of \$152,500 for 2016-2018. ORA does not take issue with Liberty's request of an additional \$40,000 to cover program development costs for TY 2016. ORA does not oppose administration costs of \$37,500 for years 2017 and 2018. However, ORA takes issue with administration costs proposed of \$41,250 for years 2019-2021 for SIP. During 2016-2019, Liberty can review its progress, and if necessary, request

1 additional funding for the SIP application processes in its next general rate case for
2 years 2019-2021 since program funding for those years will be part of Liberty's next
3 general rate case cycle.

4 ORA recommends the authorization of a solar program for three years (2016-
5 2018) rather than the six years that Liberty is proposing. At the end of the third year,
6 Liberty can request additional funding for its solar program incentive in its 2019 Test
7 Year GRC. This will allow the Commission to review the effectiveness,
8 administration costs, and benefits of Liberty's solar program and order any
9 adjustments to the program structure and budget in the 2019 general rate case.